



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 21, 2009

NATURAL GAS MARKET NEWS

Tropical activity in the Atlantic Basin remains very subdued this morning. The possible threat from the remnants of Hurricane/Tropical Storm Fred appears to be non-existent this morning as all the major forecasting models do not show this area of limited showers for regeneration. Even if this system did regenerate, it appears the associated areas of showers will move towards the Carolinas and thus is not a threat to the Gulf of Mexico.

The FERC announced Monday that Energy Transfer Partners agreed to pay \$30 million to settle its natural gas manipulation case. The case surrounds the FERC alleging that ETP manipulated physical wholesale prices at the Houston Ship Channel on specific dates from 2003 through 2005.

Generator Problems

WSCC – PG&E's 1150 Mw Diablo Canyon #1 nuclear unit was shut early Monday. The unit had been at 87% power on Friday.

SERC – Southern's 1152 Mw Vogtle nuclear power station was taken off line early this morning. The unit had been coasting down last week to its scheduled refueling outage and was at 94% power on Friday.

TVA's 1121 Mw Watts Bar #1 nuclear unit was shut early Monday. The unit had been at full power on Friday.

TVA's 1105 Mw Browns Ferry #3 nuclear unit ramped up to 94% power this morning. The unit had been taken off line back on September 12th for operators to fix a hydrogen leak.

Progress Energy's two reactors at the Brunswick nuclear power station were shut. Both units on Friday had been at full power.

ERCOT & SPP – Entergy's 967 Mw River Bend nuclear unit was shut early Monday. The unit had been coasting down last week and on Friday was at 93% power.

The NRC reported this morning that 87,674 Mw nuclear generation capacity was on line, down 1% from Friday and off 1.5% from the same time a year ago.

According to Reuters, BG Group's LNG tanker Maran Gas Asclepius arrived at the Elba Island terminal today. This is one of five cargoes expected at the terminal this month.

Private weather forecaster WSI Corporation said Monday it expects cooler than normal temperatures in the

southeastern and central United States from October to December with above normal temperatures across the Northeast and the Southwest.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		<small>(As of 12:30 PM)</small>		Moving Avg
Henry Hub	731,000	\$3.347	\$0.140	(\$0.331)	\$0.163	(\$0.229)
Chicago City Gate	466,800	\$3.398	\$0.113	(\$0.279)	\$0.099	(\$0.241)
NGPL- TX/OK	905,300	\$3.282	\$0.102	(\$0.396)	\$0.088	(\$0.369)
SoCal	588,400	\$3.672	\$0.176	(\$0.005)	\$0.162	(\$0.034)
PG&E Citygate	1,316,300	\$4.041	\$0.151	\$0.364	\$0.136	\$0.378
Dominion-South	189,100	\$3.411	\$0.116	(\$0.266)	\$0.102	(\$0.226)
USTRade Weighted	19,994,400	\$3.456	\$0.177	(\$0.221)	\$0.16	(\$0.229)

Exploration and production company Delta petroleum said its initial gas volumes from one of its wells in the Columbia River basin was below expectations and has been deemed uneconomic. The company also said that additional drilling in the vicinity of the Gray well have been curtailed pending a review of all completion and testing information.

The energy ministers from the 15-member Gas Exporting Countries Forum are reportedly scheduled to meet in Doha, Qatar on December 9th. The group reportedly will discuss the appointment of the organization's secretary general, the inauguration of its permanent secretariat headquarters as well as the status of gas prices in the international market. The Netherlands is expected to attend the meeting as an observer, just as Kyrgyzstan and Norway did at the last meeting.

UK natural gas prices for same day delivery slumped to a three year low today after Royal Dutch Shell completed maintenance at the Ormen Lange field in Norway and deliveries through the Theddlethorpe terminal resumed. Prices today reached an equivalent of \$1.13 Mmbtu.

The Ukrainian government has given authority to the Finance Ministry to guarantee all foreign debts of the state energy firm Naftogaz, which includes a \$500 million Eurobond maturing next week.

The Turkish Energy Minister Yildiz said over the weekend that his country and Iraq have had discussions on signing a memorandum of understanding to ship Iraqi natural gas to Europe via Turkey through the planned Nabucco pipeline.

Russian Prime Minister Putin said he would meet next week with global majors that are interested in working with Russia in developing the giant gas reserves of the Arctic Yamal peninsula.

Port authorities at Britain's South Hook LNG terminal said they expect the LNG tanker the Al Samriya to arrive at the port on September 27th

Barclay's Capital in their technical report warned that natural gas futures have entered a resistance zone and the downtrend from earlier this summer is likely to resume and a test of the \$2.409 is possible again. Meanwhile analysts at Energy Security Analysis said they look for Henry Hub prices in October to trade below \$3.00 for a large portion of October forcing some production shut-ins.

PIPELINE MAINTENANCE

Questar Pipeline said that work will be performed at the Oak Spring compressor station on September 22nd through September 24th. Current capacity is 500,000 Dth/d. Current nominations are 350,840 tier 1 and 28,147 Dth tier 2 and lower. Based on these nominations, when cutting to 330,000 Dth/d for the 22nd and 23rd, all tier 2 and lower nominations would be cut to zero and tier 1 nominations would be reduced 5.9%. Nominations will not be affected for the 24th if nominations stay below 400,000 Dth/d.

TransColorado said it would be performing maintenance at its Dolores Compressor Station on October 26th through October 30th. Capacity through Segment 220 will be limited to 380,000 Dth/d and capacity through Segment 240 will be limited to 410,000 Dth/d. Based on the current level of nominations the company does not anticipate any reduction to scheduled quantities.

REX said it will be performing maintenance at its Bainbridge compressor station on October 13-15th. Capacity through Segemnt 340 will be limited to 1320 MDth/d during this outage. Based on the current level of nominations the company does not expect an impact to scheduled quantities. The company also reported that it would perform maintenance at its Wamsutter compressor station on October 13-15th. Capacity through Segment 130 will be limited to 1550 Mdth/d. Based on the current level of nominations authorized overrun/interruptible transport; secondary and primary quantities are at risk of not being fully scheduled.

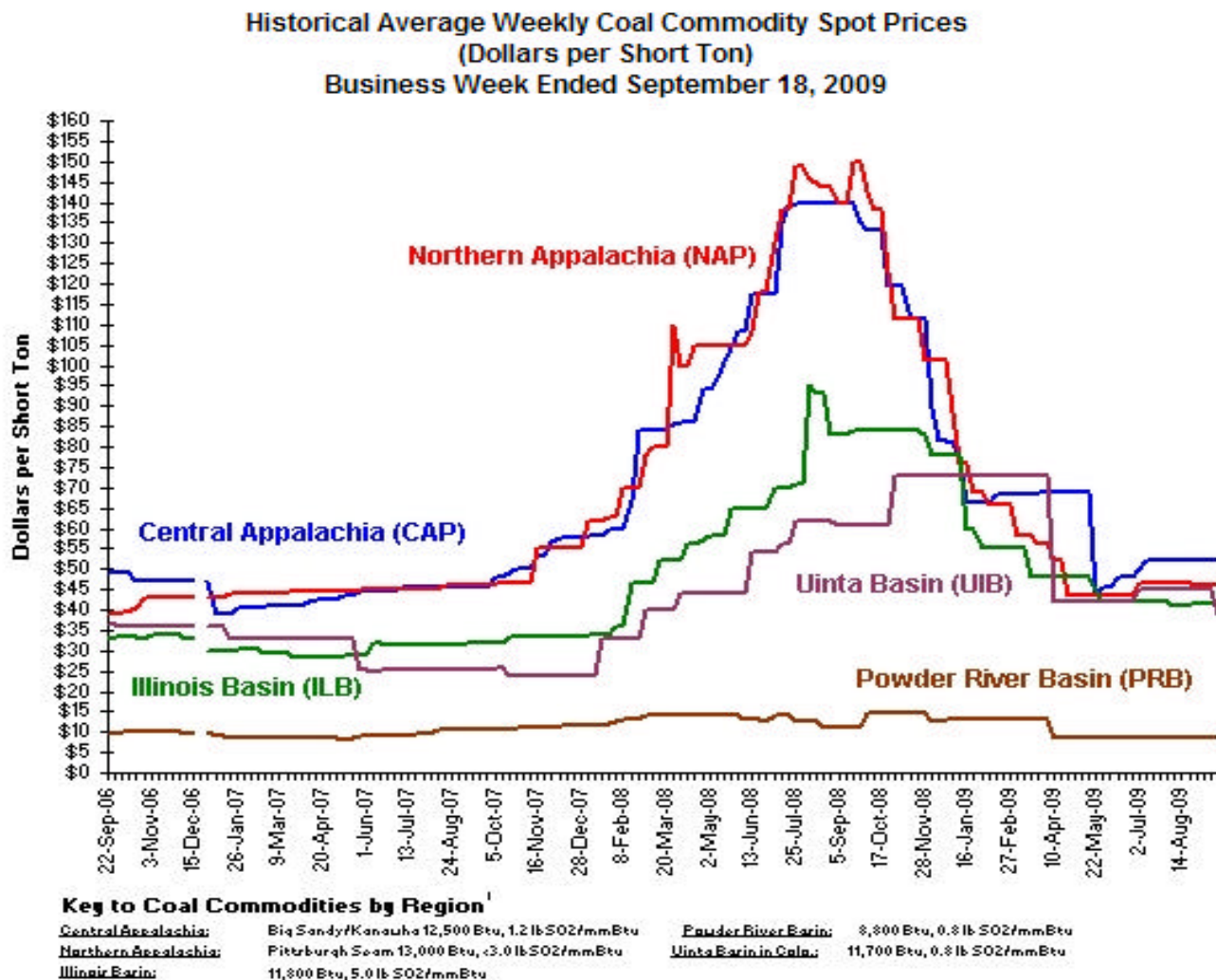
PIPELINE RESTRICTIONS

Tennessee Gas Pipeline issued a system wide OFO on Sunday September 20th but was lifting the OFO today. The alert required that all balancing parties maintain an actual daily flow rate within 5% of scheduled quantities

EI Paso Natural Gas said the probability of declaring a strained operating condition or critical operating condition has been set to moderate for September 21st due to high linepack conditions.

ELECTRICITY NEWS

The IEA estimated today that global emissions of CO2 would fall by 2.6% in 2009, the steepest fall in at least 40 years.



U.S. Energy Secretary Chu said today that as the power grid becomes more sophisticated, electricity rates will need to rise to reflect periods of intense energy use and to encourage consumers to change their electricity habits. He said he hoped to see local electricity rate commissions begin to evolve so that they begin to fold in some of the real costs of electricity generation and electricity use..

Shell Energy North America confirmed it has closed its acquisition of the Canadian natural gas and power customer contract portfolio of Integrys Energy Services of Canada.

Genscape reported that U.S. power output for the week ending September 17th fell 3.1% from the week before and 1.1% from the same week in 2008.

MARKET COMMENTARY

The natural gas market today posted its second straight inside trading session. While prices for gas were dragged lower today by a weaker oil market, the gas market failed to match the declines in the oil market, supported in part by the strong seasonal decline in nuclear generation. But this market appears to us to be running out of time in holding itself at these current levels. With no real tropical threat to production areas on the horizon, the limited production that has been shut in due to pipeline and field maintenance will not be able to sustain values at these levels until the injection season is over. The fast approaching over bought nature for this market also supports our bearish perspective for this market, as the daily stochastics appear ready to roll over and point towards a sell off, while RSIs have also recently shown a bearish divergence.

We feel that this market has the potential for posting an explosive session tomorrow given that it recorded its second straight inside trading session. The last two times the spot contract has posted such an occurrence was back on July 27th and August 26th when the following trading session saw price more than double the prior day's trading range. We would look for support on Tuesday to be found at \$3.402 followed by \$3.33, \$3.155 and \$2.979. Resistance we see at \$3.746, \$3.879, \$3.90 and \$4.00.

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